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18 NOV 1960

MEMORANDUM FOR : Deputy Director (Support)

SUBJECT : Basis for Determination of Constructive Cost of Direct Travel

1. PROBLEM

To determine Agency policy for reimbursement of travel performed by indirect routes.

2. FACTS BEARING ON THE PROBLEM

a. Under Standardized Government Travel Regulations, Foreign Service Travel Regulations and regulations of this Agency, travelers using indirect routes for the performance of travel may be reimbursed for indirect travel costs not to exceed the constructive cost which would have been incurred for uninterrupted travel via the most direct usually traveled route. Policy guidelines need to be established, however, relative to the determination of what constitutes "constructive cost". In this connection there are for decision two basic questions:

(1) Whether "category by category" concept or "total to total" concept shall be used.

(2) Whether the cost of transportation by indirect route shall be compared with the cost of first-class transportation by direct route using the most expensive mode authorized (as heretofore provided in FSTH 180-1.2r) or with the cost of direct route transportation by the class and mode(s) of transportation actually used.

b. Under "category by category" concept the traveler is allowed (1) the cost of transportation incurred by the indirect route not to exceed the cost that would have been incurred by the direct route, and (2) the amount of per diem earned and incidental expenses incurred by the indirect route not to exceed the amounts that would have been allowable by the direct route. Under the "total to total" concept the traveler may be reimbursed for the total of all allowable travel expenses via the indirect route not to exceed such expenses allowable via the direct route.

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- c. The Foreign Service Travel Regulations permit the application of the "total to total" rule in determining constructive costs. Because of audit exceptions taken by the General Accounting Office to this provision of the Regulations, the "category by category" rule was stated in a travel guide issued by this Office to field stations effective 1 July 1960, with the concurrence of the Office of General Counsel (Annex 1). Subsequent thereto Comptroller General Decision B-142421, dated 1 August 1960, endorsed the "total to total" concept as it applies to the Department of State, and the Office of General Counsel advises that this concept may be applied by this Agency under the provisions of Public Law 110 if administratively determined desirable.
- d. A Department of State Instruction was issued 18 October 1960 (Annex 2), applicable to the Department of State, ICA, and USIA, revising the policy relating to the computation of constructive cost of direct travel, effective on and after 15 November 1960, to provide for application of the "category by category" concept, and to limit the allowance of transportation cost to the cost which would have been incurred over the direct route by the class and mode(s) of transportation used (underlining supplied).
- e. Based upon a long line of Comptroller General decisions it is well established that "unless a more restrictive regulation has been adopted or unless individual travel orders limit the cost comparison to the class of transportation used" . . . "reimbursement is allowable for travel costs incurred not to exceed the constructive cost . . . based upon the lowest first-class rate" (37 Compt. Gen. 113). This Agency has consistently applied the cost of first-class transportation in determining constructive cost in accordance with its basic policy of encouraging personnel to travel by indirect routes in order to increase their overall foreign area familiarization.
- f. Agency travel regulations permit the use of first-class accommodations unless the travel order specifies a lower class. Agency Notice No. [REDACTED] dated 16 September 1960, urges the use of accommodations less costly than first-class for air travel; nevertheless, the Notice further permits the traveler to be the sole judge of the extent to which less costly accommodations shall be used.

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- g. Inquiries have been received from field stations as to whether the Agency will adopt the proposed revisions of the Department of State as set forth in Annex 2.

3. DISCUSSION

- a. The "total to total" basis for arriving at constructive cost of direct travel can lead to abuse, as illustrated in Annex 3.
- b. Inasmuch as the Agency is required to follow the "category by category" concept with respect to computations of constructive cost of direct travel performed within the United States, the adoption of this concept with respect to overseas travel would result in a uniform method for computing constructive cost for all Agency travel.

c.

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- d. In the event the Agency should follow the State provisions, as set forth in Annex 2, it is anticipated that travel for the most part would be confined to first-class travel by direct routes and that actual savings would not materialize. Performance of travel by first-class direct routes would discourage, if not eliminate, indirect travel and thereby contravene the area familiarization policy adopted by the Agency to encourage indirect travel.

4. CONCLUSIONS

In view of the facts stated in paragraph 3 above, it is concluded that:

- a. Constructive costs of direct travel should be based on the "category by category" concept in order to avoid payment of per diem on indirect routes which involves vacation-type travel. Such basis also would conform

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to provisions of EGT's and would establish uniformity for travel both overseas and stateside.

- b. The policy of the Agency to encourage indirect travel in order to enable employees to extend and broaden their area familiarization knowledge should be continued.

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- d. Savings in travel costs to this Agency under the policies set forth in Annex 2 would not be realized.

5. ACTION RECOMMENDED

It is recommended that Agency travel regulations be amended to specifically prescribe the computation of constructive costs for direct travel on the basis of:

- a. The "category by category" concept.
- b. Lowest first-class accommodations by the most expensive mode of travel authorized unless a lower class is prescribed in the travel order.

Acting Comptroller

ATTACHMENTS:

Concurrences and Approval

Annex 1

Annex 2

Annex 3

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